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ANALYSIS OF COMMODITY TURNOVER EXPENSES IN CHINESE STATE TRADE

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[Summary: This report gives information from an article entitled "Summary of the Increase Production, Practice Economy Movement in State-Operated Trade Enterprises," which appeared in the above-named periodical. The report compares the total value of 1951 state trade with that of 1950, analyzes various items of commodity turnover expenses, and gives the 1952 plan of the Ministry of Trade for the Increase Production, Practice Economy Movement.

In addition, the report provides information from which hard figures may be derived on the following: total 1951 commodity turnover expenses in state trade; total 1951 value of commodities circulated in state trade; total 1951 value of all commodities distributed in China's trade system; and the estimated total 1952 value of commodities circulated in state trade.]

The total value of state trade for 1951 exceeded that for 1950 by about 40 percent. At the same time, the percentage of state-operated trade in China's total trade has increased from 14 percent in 1950 to 19 percent in 1951. At present, there are about 10,000 state-operated trade enterprises in China.

In 1952, the Ministry of Trade plans to save 11 trillion yuan during the Increase Production, Practice Economy Movement. Of this total, 8 trillion is to be acquired from the acceleration of capital turnover, 3 trillion from the reduction of commodity turnover expenses. This 3 trillion yuan will represent a reduction of 2.33 percent in the 1952 ratio of commodity turnover expenses to the estimated total value of commodities circulated in state trade as compared with the 1951 ratio [1951 ratio given below]. The success of this movement will depend on the balancing of supply with demand and the strengthening of state-operated trade organization.

The 1952 capital turnover rate in the East China Administrative Area will be accelerated to 4.63 times as compared with the 1951 rate of 4.13 times. The 1952 purchasing quota in the Northwest Administrative Area will increase 50 percent and the sales quota will increase 10 percent over the 1951 totals.

In addition to savings through the acceleration of capital circulation, the state trade enterprises plan to reduce the amount of commodity turnover expenses. Commodity turnover expenses are those which arise in the process of distributing industrial and agricultural products to consumers (consumer goods) and to producers (producer goods).

In 1951, commodity turnover expenses amounted to 13.1 percent of the total value of commodities circulated in state trade. An itemized breakdown of these expenses follows:

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	<u>Percent</u>
Transportation	32.99
Handling (loading and unloading)	6.41
Custodian fees	3.95
Grading and packing	8.62
Insurance	3.39
Spoilage	4.00
Interest	24.8
Depreciation	0.77
Business	6.77
Cadre training	0.008
Wages	5.03
Management	3.21

An analysis of these statistics shows that transportation, handling, and interest costs are relatively high. Another item worth noting is the spoilage of commodities. The annual spoilage of commodities approaches 500 billion yuan, which is equal to about 500 million catties of millet. The movement in reducing commodity turnover expenses, therefore, should center around these several items. Through better planning, improved transportation and handling methods, and less spoilage, expenses may be greatly reduced.

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